



Agenda Date: 6/21/06
Agenda Item: 2C

State of New Jersey
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.bpu.state.nj.us

ENERGY

IN THE MATTER OF NATURAL GAS)
CUSTOMER ENROLLMENT ISSUES)
AND PROCEDURES)

DECISION AND ORDER

DOCKET NO. GX06010036

(SERVICE LIST ATTACHED)

BY THE BOARD:

By Order dated April 27, 2006, the Board accepted four recommendations that emanated from a series of conference calls organized by Staff to discuss natural gas issues. One recommendation resulted in the creation of a working group to consider, for the natural gas industry only, the policy aspects and implementation details associated with the "price-to-compare" and consider whether showing the price-to-compare on customer bills was still necessary for all customer classes; whether some alternative, such as website information, could serve the same purpose; whether for PSE&G, consistency with its electric procedures is necessary; and how the price-to-compare should be calculated and presented.

Staff facilitated conference calls on April 17 and May 1, 2006 to discuss the issues identified in the Board's April 27, 2006 Order. Staff circulated a draft proposal on May 8, 2006 and asked for any final comments by May 18, 2006. All correspondence was done through the electronic list server normally used by staff for this type of matter and the process was open to all interested parties. While many parties participated in the conference calls, written comments, in response to Staff's May 8 proposal, were received from: Intelligent Energy ("Intelligent"), National Energy Marketers Association ("NEM"), New Jersey Natural Gas Company ("NJNG"), Pepco Energy Services ("Pepco"), Public Service Electric & Gas Company ("PSE&G"), South Jersey Gas Company ("SJG") and UGI Energy Services ("UGI").

Following passage of the Electric Discount and Energy Competition Act of 1999¹, the Board conducted restructuring proceedings for each of the Gas Distribution Companies ("GDC's"). The price-to-compare was a requirement of each GDC's Restructuring Order. The price-to-compare was intended to assist customers interested in comparing utility rates with offers from retail

¹ N.J.S.A. 48:3-49 et seq.

suppliers. However, the Restructuring Orders did not indicate how the price-to-compare should be calculated, how it should be presented to customers, and whether it applied to all customer classes (i.e. shopping as well as non-shopping customers). Consequently, each GDC interpreted their Order and implemented the price-to-compare requirement in their own way. Nevertheless, at that time (c. 2000), despite the lack of specificity or uniformity the price-to-compare appears to have reasonably served its purpose and there were few complaints either from customers or from retail suppliers.

The price-to-compare was required by the Board and implemented by the GDCs during a period when GDCs were generally functioning under an annual gas adjustment clause structure whereby rates were set on a forward looking basis, usually for a one-year period. So from a customer's point of view, while the accuracy of the price-to-compare depended on how many months remained in the fuel clause period, there was likelihood that the price-to-compare would remain relatively constant for at least a few months.

As the volatility in the natural gas market was increasing, a stakeholder process was initiated in 2001 to attempt to better align natural gas rates with market conditions in an effort to, at least partially, eliminate large over- and under-recovered fuel clause accounts. This process resulted in a Board Order² that approved a monthly pricing structure for certain commercial and industrial ("C & I") customers of each GDC.³ The Board Order also allowed the GDCs to raise natural gas rates three times a year and reduce rates whenever conditions warranted for those customers not subject to monthly pricing. The resulting uncertainty in what GDC rates would be from month-to-month and, more importantly, against which TPSs would be marketing led several TPSs to raise the merits of the price-to-compare policies with Staff.

During the Staff-arranged conference calls, TPSs argued that, with the current pricing structure, the price-to-compare means little or nothing on a forward-looking basis. They contend that the price-to-compare reflects the customer's rates for the previous billing period which may have no relationship to what the customer's rates will be two, three or more months in the future. Since it is the future period for which TPSs are making price offers, using the price-to-compare as the basis could make utility rates look very attractive or unattractive to the customer and cause the customer to make decisions based on unrealistic expectations. They also contend that showing the price-to-compare on the bills of customers that are already TPS customers causes confusion over whether the customer has chosen the appropriate gas supply option and requires significant additional administrative time in providing customers with explanations of the price-to-compare listed on their bills. TPSs also note that when asked by customers to explain the price-to-compare they are often unable to replicate the GDC calculation because the details are not readily available to TPSs. The TPSs would like the price-to-compare requirement eliminated for all customer classes.

The GDCs contend that they are following their Board-approved Orders and where the Orders required interpretation they did so in the spirit of the Order, at the time, and in a way that would provide the most meaningful information to customers. Since the price-to-compare has been

² Order dated January 6, 2003, Docket No. GX01050304.

³ PSE&G had previously obtained approval for monthly pricing for all its C&I customers. The January 6, 2003 Order authorized monthly pricing for certain C&I customers of Elizabethtown, NJNG and SJG. Since then the size of C&I customer class subject to monthly pricing has expanded for some of the GDCs.

shown on gas customer bills for approximately five years there is some sentiment that removing the price-to-compare will lead to questions from those accustomed to seeing it on the bill and that there may be additional confusion with PSE&G customers, many of whom would continue to see a price-to-compare shown on the electric portion of their bill. Some other conference call participants expressed the opinion that the price-to-compare should remain since more information is better for the customer.

During the conference call discussions, as part of understanding current GDC practices and establishing common ground from which to begin the review, it became clear that not all GDCs provide the price-to-compare to all customers. PSE&G and SJG present a price-to-compare on C & I transportation customer's bills while Elizabethtown and NJNG do not. Furthermore GDCs do not calculate the price-to-compare in the same manner or present it on customer bills in the same fashion.

As a result of these discussions with the industry, Staff, on May 8, 2006, circulated a proposal for comment which it indicated could be the basis for its recommendations to the Board. The Staff proposal made a distinction between residential and C & I customers and proposed:

- I. For C & I customers –
 - a. Remove the price to compare from all C & I bills.
 - b. In its stead, on a monthly basis, the GDCs would indicate that the current and historical monthly BGSS rate can be found on the GDC website.
 - c. On a monthly basis, post detailed BGSS calculation on the GDC website. This should be done as a rolling 12-month spreadsheet of the items that constitute the monthly rate.
- II. For residential customers–
 - a. Defer a decision on the residential price-to-compare to allow time to consider customer response to C & I changes.
 - b. The GDCs would post the current and historical monthly residential BGSS rate on their website.
 - c. On a monthly basis, post detailed residential BGSS calculation on the GDC website. This should be done as a rolling 12-month spreadsheet of the items that constitute the monthly rate.
 - d. GDCs would be required to circulate the proposed detailed residential BGSS calculation format and parties would have 20 days to raise any issues associated therewith. This is a one-time window that would follow the Board Order addressing this matter.
 - e. Reconvene working group after 9 months to consider reaction to C & I changes and continue discussion of residential price-to-compare issues.

In response to this proposal, NEM and Intelligent indicated that the price-to-compare was potentially just as misleading for residential customers as for C & I customers and because residential customers are generally less familiar with the natural gas industry it is even more important to eliminate confusion from residential bills. Pepco and UGI supported the proposal for C & I customers and were silent on the proposal for residential customers. PSE&G

comments that it is premature to remove the price-to-compare from C & I bills. PSE&G indicates that customers want more information and the Board should work to provide accurate, meaningful and consistent information to customers. NJNG and SJG comment that detailed BGSS calculations, even on the website, would be lengthy and complex and these calculations would be available through other GDC filings and postings.

The Board recognizes that there have been changes within the natural gas pricing structure in New Jersey since the price-to-compare was first implemented. It is therefore reasonable to review the purpose of the price-to-compare and see if current policies continue to serve that purpose. The price-to-compare was meant to act as a barometer by which customers could compare GDC default service with competing retail supplier offers and for those who had chosen a retail supplier, do an after-the-fact comparison. The GDCs have done a commendable job in presenting the price-to-compare to customers with limited regulatory guidance. The Board would also note that the GDCs have cooperated fully in this review of price-to-compare practices and policy issues.

The real issue at this time is whether the price-to-compare provides C & I customers with information useful in choosing a natural gas supplier. No party has suggested that it does. Even PSE&G, as the lone party that objected in writing to removing the price-to-compare from C & I customer bills, while noting that customers want more meaningful information not less, does not argue that the current price-to-compare is meaningful or propose any suggestions on how to improve upon the price-to-compare presentation. PSE&G appears to be concerned with customer confusion. This is understandable, when as the only combination gas and electric utility; a price-to-compare would continue to be shown on PSE&G electric bills. However, it is partly for this reason that Staff has taken a two step approach to the price-to-compare matter. Arguably as a smaller segment of the customer base and as customers more likely to be familiar with natural gas pricing, a change in practice just for C & I customers is likely to limit any actual ratepayer impact. As the Staff proposal indicates, the Board does not know how customers will react and has created a short but meaningful period during which C&I customer reaction could be gauged. The Board does not agree with the PSE&G implication that customer surveys are necessary before the price-to-compare can be removed from C & I customer bills. The Board does agree that customers, particularly C & I customers, want more information. Unfortunately the information that they probably want the most, the price of natural gas in the future, does not exist. The Staff proposal recognizes the need for accurate customer information and makes provisions for that information for those who really want it by requiring that BGSS rates be posted on the GDC website. In fact, by requiring twelve months of historical BGSS rates, the Staff proposal actually provides C & I customers that want such information access to twelve months of information in a more convenient manner.

The Board will modify the Staff proposal to recognize the concerns of NJNG and SJG relating to the complexity of the BGSS calculations and their availability through other GDC filings and postings. The purpose of the detailed BGSS calculation proposal by Staff appears to be in response to TPS concerns that they could not replicate the GDC calculations. As long as this is

available to them in some reasonable manner, it does not have to be presented as part of the spreadsheet with historical rates. As the parties have reached an informal understanding on how this is to be accomplished⁴ and Staff does not believe that this information process needs to be formalized in a Board Order, the Board will accept this informal process until there is evidence to suggest that a more formal requirement is needed.

From the comments, it appears that some parties seem to believe that the Staff proposal would mean that no action would be taken on residential issues until the stakeholder process is reconvened in nine months. In fact, Staff intended and the Board concurs that items II.b, and II.d above be implemented immediately.

The Board will further modify the Staff proposal to require that the historical BGSS rates be presented on the GDC website in a consistent manner and that the GDCs notify residential customers at least once a year that historical BGSS rates are available on the GDC website.

For the foregoing reasons, the Board HEREBY APPROVES the Staff proposal as modified herein. The Board HEREBY DIRECTS the GDCs to work with Staff to coordinate the removal of a price-to-compare on commercial and industrial customer bills and to replace that item with information on where to find historical BGSS pricing. The Board FURTHER DIRECTS the GDCs to work with Staff to coordinate the format of the BGSS presentation to be posted on the GDC website for residential and C & I customers, and to develop the details of an annual notification to residential customers.

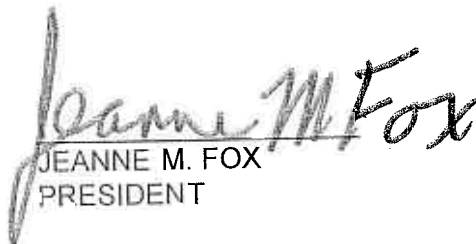
As indicated above, the Board does not believe that detailed BGSS calculations need to be posted on the GDC website on a monthly basis. However, for residential customers, the BGSS rate is the same as the price-to-compare for all four GDCs. In the spirit of this review, TPSs should have the opportunity to review the items included in the BGSS calculations of the GDCs and raise concerns if they believe that what results is not a fair representation of what should be in the price-to-compare. TPSs should also be able to raise such concerns in a brief, expedited manner outside the context of the GDC's current annual BGSS filings. Therefore, in keeping with the spirit of the current process, the Board FURTHER DIRECTS the GDCs to circulate the details of their residential BGSS calculations to interested TPSs and through the list server used by Staff by July 10, 2006. Interested parties will have until July 31, 2006 to circulate any concerns associated therewith. No further comment will be permitted on the contents of the residential price-to-compare as discussed in this informal proceeding subsequent to July 31, 2006. Absent a change in the BGSS formula by the GDCs, the Board will not consider additional unsolicited comments on this specific issue outside of a formal proceeding.

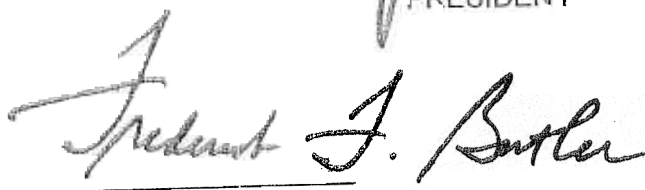
⁴ As part of the stakeholder process, the GDCs agreed to post any filings for BGSS rate changes, including temporary credits, on their website and provide notice and a link to interested parties via the BPU list server and their own TPS contact list.


Finally, the Board DIRECTS Staff to reconvene the stakeholder process to consider the effects of removing the price-to-compare from C & I customer bills and consider open residential price-to-compare issues within nine months of the date of this Order.

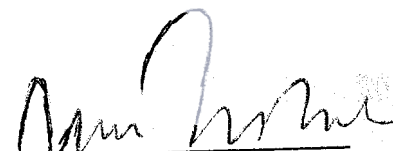
DATED: 6/27/06

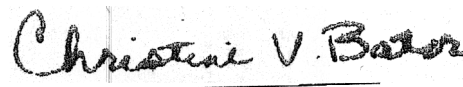
BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER


CONNIE O. HUGHES
COMMISSIONER

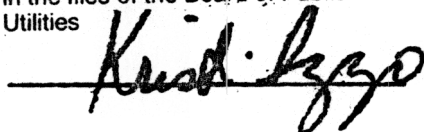

JOSEPH L. FIORDALISO
COMMISSIONER


CHRISTINE V. BATOR
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public
Utilities



I/M/O Natural Gas Customer Enrollment Procedures
Docket No. GX06010036
Service List

Seema Singh, Director
Division of the Ratepayer Advocate
31 Clinton Street, 11 th Floor
P.O. Box 46005
Newark, NJ 07102

Helene Wallenstein, DAG
Division of Law
Department of Law & Public Safety
124 Halsey Street, P.O. Box 45029
Newark, NJ 07102

Nusha Wyner, Director
Division of Energy
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Alice Bator
Division of Energy
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Sheila Iannaccone, Bureau Chief
Division of Energy
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Frances Sundheim, Esq.
Public Service Electric & Gas Co.
80 Park Plaza, T8C
P.O. Box 570
Newark, NJ 07101

Bud Ubushkin, Esq.
Division of the Ratepayer Advocate
31 Clinton Street, PO Box 46005
Newark, NJ 07101

Tracey Thayer, Esq.
New Jersey Natural Gas Company
1415 Wyckoff Road
P.o. Box 1464
Wall, NJ 07719

Ann-Marie Peacchio
New Jersey Natural Gas Company
1415 Wyckoff Road
P.o. Box 1464
Wall, NJ 07719

Alexander C. Stern, Esq.
Counsel's Office
NJ Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Mary Patricia Keefe, Esq.
Elizabethtown Gas Company
One Elizabethtown Plaza
P.O. Box 3175
Union, NJ 07083-1975

Ira G. Megdal, Esq.
Cozen O'Connor Attorneys
457 Haddonfield Road
STE 300
P.O. Box 5459
Cherry Hill, NJ 08034-0480

Babette Tenzer, Esq.
Division of Law
Department of Law & Public Safety
124 Halsey Street, P.O. Box 45029
Newark, NJ 07102

Jacqueline Galka
Division of Energy
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Sheila Iannaccone, Bureau Chief
Division of Energy
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Kenneth Welch
Division of Energy
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

I/M/O Natural Gas Customer Enrollment Procedures
Docket No. GX06010036
Service List

Kenneth T. Maloney, Esq.
Cullen & Dykman
1225 19th Street, NW, Suite 320
Washington, District of Columbia 20036

Walter G. Reinhard
Norris McLaughlin & Marcus
721 Route 22-206
PO Box 1018
Somerville, NJ 08876

Paul Forshay, Esq.
Sutherland Asbill & Brennan LLP
1275 Pennsylvania Avenue, N.W.
Washington, District of Columbia 20004

Sara Bluhm
NJBIA
102 West State Street
Trenton, NJ 08608

Michael J. Reiner
Senior Operations Analyst
Shell Energy Services Company, LLC
1221 Lamar Street, Suite 1000
Houston, Texas 77010

Jay L. Kooper
Director of Regulatory Affairs
Amerada Hess Corporation
One Hess Plaza
Woodbridge, New Jersey 07095

Craig G. Goodman, Esq.
President
National Energy Marketers Association
333 K Street, NW
Suite 425
Washington, D.C. 20007

Steven S. Goldenberg
Fox Rothschild LLP
997 Lenox Drive, Building 3
Lawrenceville, NJ 08648-2311

Alyessa Weinberger
Amerada Hess Corp.
1 Hess Plaza
WB-12
Woodbridge, NJ 07095

Jodi Larison
UGI Energy Services, Inc.
P.O. Box 659
Nyack, NY 10960

Gary P. Dean
South Jersey Gas
1 South Jersey Plaza
Route 54
Folsom, New Jersey 08037

Roger M. Schwarz
Governmental Affairs
1 Benjamin Rush Lane
Princeton, New Jersey 08540

David Bayless
Utility.com
828 San Pablo Avenue, Suite 115
Albany, CA 94706-1678